

Minutes of the meeting held on July 9, 2018

Present: Francis Murphy – Chair, James Monagle, Michael Gardner, Nadia Chamblin-Foster, John Shinkwin, David Kale, Ellen Philbin, James Quirk and Chris Burns.

The meeting was called to order at 5:00 PM. The meeting was digitally recorded.

Agenda Item #1 – Minutes

Motion by Shinkwin, seconded by Chamblin-Foster to accept the regular minutes of the meeting held on June 11, 2018. The motion carried on a 4-0 vote, with Gardner abstaining.

Motion by Shinkwin, seconded by Monagle to accept the executive session minutes of the meeting held on June 11, 2018. The motion carried on a 4-0 vote, with Gardner abstaining.

Agenda Item #2 - Warrants

Motion by Chamblin-Foster, seconded by Shinkwin to accept payment of warrant #12 in the amount of \$6,827,068.55 and to accept payment of warrant #13 in the amount of \$1,499,808.38. Voted unanimously.

Agenda Item #3 – Superannuations

Motion by Gardner, seconded by Shinkwin to accept the Superannuation retirement applications submitted by Betsy Bard, Daycare Center Manager / Social Worker, School Dept. with twenty-nine years, eleven months; Marie Bernard, Secretary, School Dept. with thirty-eight years, one month; Karen Brown, Deputy Director, Library with twenty-eight years, five months; Thomas Carroll, Lieutenant, Fire Dept. with thirty-three years, three months; George Gannon, Director of Maintenance Operations, Housing Authority with thirty-two years, one month; Stanley Gedaminsky, Sergeant, Police Dept. with thirty-one years, ten months; Thomas Griffin, Jr., Junior Building Custodian, School Dept. with fifty-one years, one month; Anne Gross, Senior Director, Cambridge Health Alliance with seventeen years, six months; James Jones, Senior Custodian, School Dept. with thirty-two years, four months; Elaine Marchant, Operations Manager, Election Commission with twenty-six years, two months; Maria Ribeiro, Kitchen Aide, School Dept. with twenty-three years, seven months; E. Denise Simmons, City Councillor with thirty-seven years, ten months; Pierre Stiven, Payroll Specialist, Cambridge Health Alliance with fifteen years, ten months and Sarah Zimmerman, Preservation Planner, Historical Commission with twenty years, eleven months. Voted unanimously.

Agenda Item #4 - Make-ups/Redeposits / Liability

The Board reviewed make-up and redeposit worksheets for nine members.

Motion by Chamblin-Foster, seconded by Gardner to allow the make-up of contributions requested by Karen Brown, seven months pro-rated, also accepting liability; Mary Carr, three months; Thomas Cauchon, three months pro-rated, also accepting liability; Anna Hirschi, five months pro-rated; Linda Mannix, one year pro-rated; Molly Reardon, six months; Nancy Schlacter, one year two months pro-rated, also accepting liability; Vanessa Ward, two months pro-rated; also to allow the redeposit of a refund requested by Robert Sherman, eight years two months. Voted unanimously.

Agenda Item #5 – Refund Applications

The Board reviewed a list of refund applications submitted in June.

Motion by Chamblin-Foster, seconded by Monagle to accept seven refund applications. Voted unanimously.

Agenda Item #6 – 2018 Actuarial Valuation

The Board reviewed a draft actuarial valuation prepared by Segal Consulting. Kathy Riley and Madison Ossmus represented Segal.

Gardner stated that he remains concerned about ignoring the smoothing schedule and recognizing the market value of assets immediately, although he does not intend to oppose adopting that funding schedule. Kale stated that he has consulted with the City Manager and the finance team. They have also endorsed adopting Schedule 1A.

Riley reviewed the calculation of Schedule 1A. It lowers the return assumption to 7.5% and requires immediate recognition of investment gains. It keeps a 5.85% appropriation increase for two years, then moves to flat payments from that point forward. Riley confirmed that payment amounts in the funding schedule are based on the assumption that the City will make the entire appropriation payment in one lump sum on July 1 of each year. This brings the system to full funding in 2026. She advised that, although payments remain flat from 2022 forward, the City may wish to anticipate continuing increases of at least 5.85% annually. Kale confirmed that the City intends to do so.

Motion by Monagle, seconded by Shinkwin, to adopt funding schedule 1A. Voted unanimously.

Agenda Item #7 – GASB No. 67 & 68

Madison Ossmus reviewed the GASB statements. She noted that the statements took into account assumption changes from the 2018 actuarial valuation, including reduction of the return assumption and new mortality tables. With the acceptance of the market value of assets, the system is now 88% funded. Riley noted that the system may wish to review the amount of pension liability attributed to Cambridge Health Alliance, and the subsidy provided by the City. She stated this would not be a significant issue, assuming the system is able to keep to a 2026 funding date. However, it would become more important in the event of a market downturn, if the funding schedule needed to be extended.

Motion by Shinkwin, seconded by Monagle to accept the GASB statements. Voted unanimously.

The Chairman requested to adjourn the open meeting and go into executive session for the purpose of discussing disability retirement applications. The Chairman stated that the meeting would reconvene in open session at the conclusion of the executive session. On a roll call, the vote was as follows:

Michael Gardner:	YES
Nadia Chamblin-Foster:	YES
John Shinkwin:	YES
James Monagle:	YES
Francis Murphy:	YES

Agenda Item #8 – Accidental Disability Application – Elizabeth Guilherme

The Board reviewed the member’s application, treating physician’s statement and employer’s statement pertaining to Elizabeth Guilherme’s accidental disability application. She appeared before the Board, with her attorney, Michael Akashian.

Motion by Gardner, seconded by Shinkwin to accept the application filed by Elizabeth Guilherme and to request that PERAC appoint a medical panel. On a roll call, it was voted unanimously.

Agenda Item #9 – Accidental Disability Benefit – Brian Buckley

The Board reviewed the certificate and narrative reports of the member’s medical panel, the member’s application, treating physician’s statement and employer’s statement pertaining to Brian Buckley’s accidental disability application. Attorney Thomas Gibson appeared, representing the member.

Motion by Shinkwin, seconded by Chamblin-Foster to grant Accidental Disability benefits to Brian Buckley, Motor Equipment Operator in the Dept. of Public Works. On a roll call, it was voted unanimously.

Agenda Item #10 – Investment Consultant Proposals

The Board reviewed six responses to the Investment Consultant RFP. Each Board member submitted a written evaluation sheet.

The Chairman distributed a spreadsheet, showing investment returns from the various non-PRIT systems, and noting which investment advisor they currently use. He noted that he was not able to include, in most cases, when each system hired their present manager. Overall, he found little correlation that would show any particular consultant was generating higher returns for their clients. The Chairman stated that, in performing his evaluation of the responses, he found that Marquette has no clients in Massachusetts. He stated that all other responses met the minimum criteria. Shinkwin stated that it appears that, with the exception of Marquette, all of the consultants are well qualified. Given that he was happy with Segal's service, he said that he saw no reason to make a change.

Chamblin-Foster noted that there were significant differences in the quoted prices. The lowest price was \$176,000 annually and the highest was \$290,000. She also carefully reviewed the staff turnover numbers reported by each consultant. She rated Segal and Meketa as being strong in that area. The Director noted that Segal's quote of \$176,000 represented no increase over their current fee. The future increases are also lower than the other consultants.

The Director stated that, in conversations with other Directors, Meketa is consistently well-regarded. Monagle stated that he was concerned by Meketa's philosophy on active vs. passive managers, noting that it appears they favor passive under virtually all circumstances. Similarly, he felt they also seemed to always favor pooled funds over separate accounts.

Gardner stated that he felt both Segal and NEPC gave very generic answers regarding initiatives to promote diversity in the workplace. Meketa's answers were much more specific. Notwithstanding that issue, he gave Segal the highest overall rating, with NEPC second highest. He stated that he felt both firms had the capacity to handle a billion dollar fund. Both Dahab and FIA were significantly smaller offices, who seem to focus on smaller clients. He also noted that NEPC had quoted a significantly higher fee.

Shinkwin stated that he also gave Segal his highest overall rating. The Director stated that she was extremely happy with the customer service from Segal, and described their assistance with reporting and moving funds on a monthly basis to cover payroll. The Chairman stated that there was discussion at MACRS suggesting that systems hire for a five year period, negotiating an optional two year extension with the contract, giving the Board the right to extend the term.

Gardner moved to rehire Segal as the system's investment consultant, subject to the terms described by the Chair. Monagle seconded the motion and it was voted unanimously.

Agenda Item #11 – Cost of Living Adjustment for Retirement Board Staff

The Chairman stated that he felt it was appropriate to increase staff salaries due to additional workload for the staff. He stated that he had reviewed salaries with the Director and felt it was appropriate to grant an additional 0.5% increase over the 2.5% COLA approved for all City employees. The cost of the increase would be \$2,677.02 annually. Monagle stated that he supported the increase, due to the smooth operation of the office, particularly during the recent audits.

Gardner stated that he objected to the increases, given that the Board has long had a practice of mirroring the increases granted to other City employees. He stated that he hoped the Board would not make a practice of deviating from following the compensation and benefits structure for other City employees.

Motion by Shinkwin, seconded by Monagle to grant an additional 0.5% salary increase to retirement board staff. The motion carried on a 4-1 vote, with Gardner voting in the negative.

Agenda Item #12 - PERAC Memos

The Board reviewed PERAC memos 18-20. No action was taken.

Agenda Item #13 - Old Business

Not needed.

Agenda Item #14 - New Business

Not needed.

Agenda Item #15 - Executive Session

Agenda Item #8 – adopted

Agenda Item #9 – adopted

Agenda Item #16 - Chairman's Report

None offered.

Agenda Item #17 – Executive Director's Report

The Director stated that both KPMG and PERAC have completed work in the office, although they may have additional questions as they finish their audit work. She said she thought the audits went well, although there may be some issues involving the Housing Authority payroll system.

The following documents were also reviewed by the Board:

- List of Retiree Deaths
- Correspondence from Attorney Quirk re: PRIM Investment Committee Meeting
- Correspondence from Attorney Quirk re: Open Meeting Law
- Lazard Portfolio Review Review – May 2018

Monagle moved to adjourn at 7:40 PM.